

BEFORE THE DEPARTMENT OF TRANSPORTATION

Washington, D.C.

In the Matter of:)	Docket Nos:	OST-97-2881
)		OST-97-3014
)		OST-98-4775
14 CFR Part 255 and Part 399)		OST-99-5888

COMMENTS OF TRAVEL MANAGEMENT ALLIANCE, LLC.

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Introduction:

§ Travel Management Alliance, LLC (hereinafter “TMA”) is an organization owned by seven major independently owned and operated travel management companies located in the eastern United States. The group members are:

Austin Travel Corporation of Melville, New York

§ Colpitts World Travel of Dedham, Massachusetts

§ Executive Travel Associates of Washington, D.C.

§ Liberty Travel of Ramsey, New Jersey

§ National Travel of Charleston, West Virginia

§ Robustelli World Travel of Stamford, Connecticut

§ Stratton Travel Management, Inc. of Oakland, New Jersey

§ Worldtek Travel of New Haven, Connecticut

TMA was formed several years ago to enhance benefits to corporate customers by the TMA members. The members use three of the CRS systems and one member operates a dual system.

TMA collectively has total sales in excess of \$2.5 billion and nearly 400 ticketing locations. Each of the owners of the agencies is involved with hands-on, day-to-day operations, and customer relations.

TMA urges DOT to re-adopt the CRS rules with two changes:

1. The length of the contract should remain optional at three or five years;
2. Productivity pricing should be allowed unless web fares, without limitation, are included in the CRS system.

Length of Contract:

DOT has raised the issue as to whether they should modify the rules to shorten the maximum length for subscriber contracts to a term of less than three years. DOT has also indicated in the proposed rules that “most agencies have chosen five year contracts, primarily because the systems offer more attractive pricing on those contracts than they do on three year contracts.” We agree that a five year contract offers a more favorable economic return to the travel agency.

We would also note that most, if not all, CRS contracts with consortiums¹ are for five years. In fact, most of these agreements have been renegotiated, prior to the initial five year term, for an additional five years because of the economic benefits available to their members, including favorable language in the agreement to address some of the agency’s concerns.

TMA believes that the current rule, fixing the maximum term at five years but requiring the vendors to offer a three year agreement, is of the greatest benefit to the travel agency community from both an economic and practical standpoint and should be re-adopted. TMA

¹This term is used to also include co-ops, franchises, and affiliate-type organizations.

believes that contracts shorter than five years will not provide agencies a significant economic return. We further believe that a five year agreement offers stability and allows the travel agency to include the revenue flow in its business plan. This would not be possible under either the European Union's rule or with contracts of three years or less. This supports TMA's position that DOT should maintain the existing CRS term guidelines found in the current regulations.

We agree with DOT's comments that, "when travel agencies can choose among suppliers, they are likely to obtain better prices and services." This objective can also be accomplished with longer term contracts. CRS vendors have consistently and aggressively competed for travel agency customers and there is a significant benefit in having a long term relationship with a vendor, which can be enhanced by a five year agreement.

DOT has also commented upon the issue of the CRS system, "commonly requiring the agency to sign a new contract for any additional new equipment that is added." We do not believe that issue is appropriate in today's marketplace because it is very common for CRS vendors to allow equipment to be "coterminous" if it is added within a certain period of time after the contract's start date. For example, it is fairly common for any new equipment or new locations that are added within the first thirty-six months of a sixty month contract to have a coterminous expiration date of the initial five year term. For a thirty-six month contract, it is very common to have a coterminous clause for equipment added during the first eighteen months of the agreement. These timeframes for coterminous equipment provisions are typically even longer in consortium CRS contracts.

In summary, TMA believes that the current rules providing for both a three and five year contract should be re-adopted.

Productivity Pricing

DOT has recommended in the proposed regulations to restrict or potentially prohibit “productivity pricing” in the belief that to do so would benefit travel agencies by providing a reasonable opportunity to switch systems or use multiple systems in data bases. TMA acknowledges that productivity pricing, in effect, requires that all or most of an agency’s bookings be through the agency’s principal CRS system. However, TMA does not believe that process is harmful. Rather, TMA believes that productivity pricing is a significant benefit to its members by allowing a revenue stream that is based upon and rewards business development from the agencies. Moreover, the cost of finding, retaining, and retraining agent employees can be prohibitive if the agency decides to change CRS vendors. We do not agree with DOT’s comments in the proposed regulations that productivity pricing is “the equivalent of the minimum use clauses that (we) prohibited when we last reexamined our rules.” In essence, productivity pricing rewards an agency for directing all of most of its bookings through a particular CRS system while minimum use clauses can financially penalize an agency.

We agree that even agencies using their own equipment have generally similar contract provisions to those agencies leasing equipment. Further, there is potential for a significant revenue stream through productivity pricing for the travel agency using its own equipment. It is also not unusual for the travel agency to receive an up front payment to cover the cost of acquiring its own equipment in addition to any other financial incentives that may be paid by the CRS to the agency.

DOT has also stated that it believes productivity pricing deters travel agents from using the internet to book e-fares, which are generally not available through the CRS systems used by

travel agents. DOT further stated that when travel agents book e-fares through the internet, they run the risk of failing to satisfy the monthly minimum booking quota set by the productivity pricing provisions. TMA acknowledges that productivity pricing deters agencies from using the internet but believes the issue is not satisfying the monthly minimum booking quota but, rather, the agency receiving reduced incentive payments. TMA has no objection to DOT reducing or eliminating the requirement of productivity pricing in the proposed regulations so long as it provides that all web fares, on all air carriers, be made available through the CRS systems. The members would be willing to receive less revenue through productivity pricing by having the ability to book web fares, which is not only more efficient for the travel agencies but also, as DOT has noted, more beneficial for their clients, the traveling public. However, to reduce or eliminate productivity pricing would not be appropriate without making web fares available to the travel agency community.

We respectfully disagree with DOT's suggestions that productivity pricing keeps travel agents from using a second system or another alternative to the system initially chosen and, thus, acts as an unreasonable restriction on competition. Some of TMA's members utilize more than one system and still receive the benefits of productivity pricing. We believe the size and business mix of any particular travel agency determine whether it is possible or economically feasible to operate multiple systems. TMA's member's experiences are contrary to DOT's comments with regard to how the marketplace operates. Again, we believe that DOT's comments are a result of "lumping together" travel agencies of all sizes. In fact, there are clear differences in both business operations and client base for agencies with respect to types of sales or total sales.

Wherefore, for the foregoing reasons, Travel Management Alliance, LLC, respectfully requests that the Department of Transportation adopt the changes suggested herein.

Respectfully submitted,

Travel Management Alliance, LLC

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